

**APPROVED BY THE BOARD OF DIRECTORS OF
MECHEL STEEL GROUP OAO
ON OCTOBER 14, 2004**

**CODE OF BUSINESS CONDUCT AND ETHICS
OF MECHEL STEEL GROUP OAO**

Moscow

PURPOSE

This Code of Business Conduct and Ethics (the “Code”) contains general guidelines for conducting the business of Mechel Steel Group OAO (the “Company” or “Mechel”) consistent with the highest standards of business ethics. This Code should be considered to be a minimum standard designed to deter wrongdoing and promote honest and ethical conduct. To the extent this Code requires a higher standard than required by commercial practice or applicable laws, rules, or regulations, we adhere to these higher standards.

This Code applies to all our directors, officer and employees. We refer to all persons covered by this Code as “Company employees” or simply “employees.” We refer to our general director, executive director, senior vice presidents, vice presidents, chief accountant, and any other persons who perform similar functions for the Company as our “senior officers.”

1. CONFLICTS OF INTEREST

Identifying Conflicts of Interest

A conflict of interest occurs when an employee’s private interest interferes, or appears to interfere, in any way with the interests of the Company as a whole. You should actively avoid any private interest that may influence your ability to act in the interests of the Company or that makes it difficult to perform your work objectively and effectively. This Code does not identify all the ways in which a conflict of interest may arise. However, the following situations are cases of conflict of interest:

- **Outside Employment.** No employee may be a director of, employed by, or otherwise associated with any for-profit or not-for-profit organization or enterprise that competes with the Company or deprives the Company of any business.
- **Improper Personal Benefits.** No employee may obtain improper personal benefits or favors because of his or her position with the Company.
- **Financial Interest.** No employee may have any financial interest (ownership or otherwise), either directly or indirectly through a spouse or other family member (defined below), in any other for-profit or not-for-profit organization or enterprise if that interest (i) adversely affects the employee’s performance of duties or responsibilities to the Company or (ii) is in an enterprise that competes, does business with, or seeks to do business with the Company. An employee may, however, own securities of such an enterprise if listed on a securities exchange or traded nationally over the counter; provided, that, if such employee’s duties include conducting or supervising Company business relations with that enterprise, or activities in competition with it, this exception shall only apply if the employee’s ownership interest is less than 0.05% of the other company and its market capitalization is more than USD 500 million. When a transaction involves an enterprise in which a member of your family holds an interest, you must (1) inform the Company of your family member’s interest in the enterprise and (2) not take part in decision-making regarding to the transaction.
- **Loans or Other Financial Transactions.** No employee may obtain loans or guarantees of personal obligations from any company that is a material customer, supplier, or competitor of the Company. This guideline does not prohibit transparent transactions with recognized banks or other financial institutions.
- **Service on Boards and Committees.** Except with the consent of the Company, no employee should serve on a board of directors, committee of the board of directors, or any other governance body of a legal entity (whether for-profit or not-for-profit) whose interests

reasonably could be expected to conflict with those of the Company. Employees must continually review their participation on such governance bodies to determine whether service in such position is still appropriate.

Disclosure of Conflicts of Interest

The Company requires that employee fully disclose to the Company any situations that reasonably could be expected to give rise to a conflict of interest. Conflicts of interest may be waived only as described in “Waivers of the Code” below.

Family Members and Work

The actions of an employee’s family members outside the Company may also give rise to conflicts of interest because they may influence his or her objectivity in making decisions on behalf of the Company. If a member of your family is interested in doing business with the Company, the criteria as to whether to enter into or continue the business relationship, and the terms and conditions of the relationship, must be no less favorable to the Company compared with those that would apply to a non-relative seeking to do business with the Company under similar circumstances, and you must inform the Company of such transactions.

For purposes of this Code, "family members" or "members of your family" include your spouse or life-partner, brothers and sisters, parents, in-laws, and children, whether such relationships are by blood or adoption.

2. CORPORATE OPPORTUNITIES

As an employee of the Company, you have an obligation to advance the Company’s interests when the opportunity to do so arises. If you discover or are presented with a business opportunity through the use of corporate property, information or because of your position with the Company, you should first present the business opportunity to the Company before pursuing the opportunity in your individual capacity. No employee may use corporate property, information or his or her position with the Company for personal gain or compete with the Company.

Officers and employees of the Company should disclose the terms and conditions of each business opportunity covered by this Code that they wish to pursue to their direct supervisor; members of the Board of Directors should disclose such information to the Chairman of the Board of Directors. The direct supervisor will contact the director of corporate affairs and Company management to determine whether the Company wishes to pursue the business opportunity. If the Company waives its right to pursue the business opportunity, you may pursue the business opportunity on the same terms and conditions as originally proposed and consistent with the other ethical guidelines set forth in this Code.

3. CONFIDENTIAL INFORMATION

Employees have access to a variety of confidential information while employed at the Company. Confidential information includes all non-public information that might be of use to competitors, or, if disclosed, harmful to the Company or its customers. Employees have a duty to safeguard all confidential information of the Company or third parties with which the Company conducts business, except when disclosure is authorized or legally mandated. An employee’s obligation to protect confidential information continues after her or she leaves the Company. Unauthorized disclosure of confidential information could cause competitive harm to the Company or its customers and could result in legal liability to you and the Company.

4. COMPETITION AND FAIR DEALING

All employees should endeavor to deal fairly with fellow employees and with the Company's customers, suppliers and competitors. Employees should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair-dealing practice.

5. PROTECTION AND USE OF COMPANY ASSETS

Employees should protect the Company's assets and ensure their efficient use for legitimate business purposes only. Theft, carelessness and waste have a direct impact on the Company's profitability. The use of Company funds or assets, whether or not for personal gain, for any unlawful or improper purpose is prohibited.

To ensure the protection and proper use of the Company's assets, each employee should:

- Exercise reasonable care to prevent theft, damage or misuse of Company property.
- Report the actual or suspected theft, damage or misuse of Company property to a supervisor.
- Use the Company's telephone system, other electronic communication services, written materials and other property primarily for business-related purposes.
- Safeguard all electronic programs, data, communications and written materials from inadvertent access by others.
- Use Company property only for legitimate business purposes, as authorized in connection with your job responsibilities.

Employees should be aware that Company property includes all data and communications transmitted or received to or by, or contained in, the Company's electronic or telephonic systems. Company property also includes all written communications. Employees and other users of this property should have no expectation of privacy with respect to these communications and data. To the extent permitted by law, the Company has the ability, and reserves the right, to monitor all electronic and telephonic communication. These communications may also be subject to disclosure to law enforcement or government officials.

6. PROMPT AND ACCURATE DISCLOSURE

We are a public company and are required by law to report our financial results and a great deal of financial and other information about our business to shareholders and potential investors, exchanges, the Federal Service for the Financial Markets, the Federal Antimonopoly Service, and other executive authorities. It is our policy to promptly disclose accurate and complete information regarding the Company's business, financial condition, and results of operations. Inaccurate, incomplete, or untimely reporting by employees will not be tolerated, because it can severely damage the Company and cause legal liability.

Employees should be on guard for, and promptly report, instances of improper reporting. Examples of suspicious activities that should be reported include:

- Financial results that seem inconsistent with the performance of underlying business transactions;

- Transactions that do not seem to have a good business purpose; and
- Requests to circumvent ordinary review and approval procedures.

7. COMPANY RECORDS

Accurate and reliable records are crucial to our business. Our records are the basis of our earnings statements, financial reports, and other disclosures made to the public pursuant to law and practice. In addition, our records are the source of essential data that guides business decision-making and strategic planning.

All Company records must be complete, accurate and reliable in all material respects. There is never an acceptable reason for senior officers to make false or misleading entries. In addition, undisclosed or unrecorded funds, payments, or receipts are strictly prohibited. You are responsible for understanding and complying with our record-keeping policy.

8. COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

You are prohibited from engaging in any activity that violates any laws, rules, or regulations applicable to the Company. This includes, without limitation, laws covering commercial bribery and kickbacks, copyrights, trademarks, and trade secrets, information privacy, insider trading, illegal political contributions, antitrust prohibitions, bribing of foreign officials, offering or receiving gratuities, environmental hazards, employment discrimination or harassment, occupational health and safety, false or misleading financial information, or misuse of corporate assets. You are expected to understand and comply with all laws, rules and regulations that apply to your position in the Company.

9. VIOLATIONS OF THE CODE

All employees have a duty to report any known or suspected violation of this Code, including any violation of laws, rules, regulations or policies that apply to the Company. Reporting a known or suspected violation of this Code by others should not be considered an act of disloyalty, but an action to safeguard the reputation and integrity of the Company and its employees.

Complying with this code is an official duty of every employee, set out in the employment contract between you and the Company.

If you know of or suspect a violation of this Code, you must immediately report the conduct to the Company's Senior Vice President (General Counsel).

It is the Company's policy that any employee who violates this Code will be subject to discipline, including potential dismissal/termination of contract, based upon the facts and circumstances of each particular situation and in accordance with the law. Employees who violate the law or this Code will be required to compensate material harm to the Company caused thereby as required by labor and other relevant laws and to pay civil damages, and may also be exposed to administrative and criminal liability under the law. The Company may also face substantial fines, losses, and penalties in such situations, not to mention damage to the Company's reputation and its standing in the business community. In other words, your conduct as a representative of the Company, if it does not comply with the law or with this Code, can result in serious consequences for both you and the Company.

All questions and reports of known or suspected violations of this Code will be treated with sensitivity and discretion. The Senior Vice President (General Counsel) and the Company will protect your confidentiality to the extent possible consistent with the law and the Company's need to investigate your concern.

The Company prohibits retaliation against an employee who, in good faith, seeks help or reports known or suspected violations. Any reprisal or retaliation against an employee because the employee, in good faith, sought to help or filed a report will be subject to disciplinary action, including potential dismissal/termination of contract.

10. WAIVERS OF THE CODE

Waivers of this Code for directors and senior officers will be granted on a case-by-case basis and only in extraordinary circumstances. Waivers of this Code for directors and senior officers may be made only by the Board of Directors, or the appropriate committee of the Board of Directors, and will be promptly disclosed to shareholders and investors to the extent required by law. Waivers of this Code for other employees may be made only by a senior officer of the Company.

CONCLUSION

This Code of Business Conduct and Ethics contains general guidelines for conducting the business of the Company consistent with the highest standards of business ethics. All employees are required to adhere to these standards. Each employee is personally responsible for his or her actions. Conduct that violates the law or this Code cannot be justified by claiming that it was ordered by someone in higher management. If you engage in conduct prohibited by the law or this Code, you will be deemed to have acted outside the scope of your employment. Such conduct will subject you to disciplinary action, including possible termination of employment in accordance with the law.

The sections of this Code titled "Purpose," "Conflicts of Interest," "Prompt and Accurate Disclosure," "Company Records," "Compliance with Applicable Laws and Regulations," "Violations of the Code," and "Waivers of the Code," as applied to our senior officers, shall be our "code of ethics" within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder.

The General Counsel and the Corporate Affairs Department are responsible for ensuring that employees fulfill and comply with this Code. He or she or the Corporate Affairs Department can provide explanations, clarifications, advice, and opinions on all matters relating to compliance with this Code.